



I. CalSTRS Membership

Membership in the CalSTRS Defined Benefit Program

Membership in the CalSTRS DB Program is generally available to persons employed in the California public school system, kindergarten through community college, in positions that require a credential, certificate or permit, or require the employee to meet minimum standards adopted by the Board of Governors of the California Community Colleges.

Only activities identified as “creditable service” are subject to CalSTRS DB Program coverage. These activities include teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties.

If you are a classroom teacher or are performing other activities that are creditable service, you may be a CalSTRS DB Program member as mandated by law, or you may be eligible to elect membership.

Employment performing creditable service in a charter school is subject to coverage only if the charter of the school provides for participation in the CalSTRS DB Program.

Mandatory Membership

If you are employed to perform creditable service on a full-time basis, you will become a CalSTRS DB Program member on the first day of employment.

Full time is defined as the number of days or hours in a school year that the employer requires a “class of employees” to work. For example, under a collective bargaining or employment agreement, an employer might require guidance counselors in a high school to work a specific number of days each school year. Therefore, guidance counselors would constitute a class of employees. (See the Glossary, Section XI, for more information about what constitutes full time and “class of employees.”)



Many teachers and others who perform creditable service are not hired to work full time by an employer. For those who are hired to work less than half-time, CalSTRS offers an alternative retirement plan called the CalSTRS Cash Balance Benefit Program. However, the CB Benefit Program is optional for employers.

Mandatory CalSTRS DB Program membership requirements vary, depending upon your employment status and whether or not the CalSTRS CB Benefit Program is offered by employers to part-time employees in the district.

Except for pages 17–18 and Section IX, the programs and benefits described in this book refer to the CalSTRS Defined Benefit Program only. For information on CalSTRS Cash Balance Benefit Program, see Section IX.



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Employers Who Do *Not* Offer CalSTRS Cash Balance Benefit Program

In school districts, county offices of education or community college districts that do *not* offer the CalSTRS Cash Balance Benefit Program, the following mandatory DB Program membership requirements apply:

Employment Status	Mandatory Membership Begins
Hired on part-time hourly basis	First day of pay period following the pay period in which creditable service in one school district, community college district or county superintendent's office is performed for 60 or more hours
Hired on part-time daily basis	Same as above except for 10 or more days
Hired as a substitute	Same as above except for 100 or more complete days during the school year

Employers Who Offer the CalSTRS Cash Balance Benefit Program

In school districts, county offices of education or community college districts that do offer the CalSTRS Cash Balance Benefit Program the following mandatory CalSTRS DB Program membership requirement applies:

Employment Status	Mandatory Membership Begins
K-12 or community college instructor hired on a contracted basis	First day of pay period in which the basis of employment (the employee's contract for employment) changed to 50 percent, or more, of the full-time equivalent for the position
Community College instructor hired on an hourly/adjunct basis	First day of pay period in which the employee works more than 60 percent of the full-time equivalent for the position

Part-Time or Substitute Employees Electing DB Program Membership

Anyone who performs creditable service in the California public school system is eligible to elect membership in the CalSTRS DB Program.

If you are hired as a substitute or on a part-time basis and your basis of employment does not qualify you for mandatory membership, you can still elect to become a member in the CalSTRS DB Program. Your employer must formally notify you of your right to elect membership in the program.

The election can only be made during a pay period in which you have performed creditable service and must be made on the appropriate form provided by the employer. The effective date of membership is the first day of the pay period in which the election is made. If you elect membership, that decision is irrevocable and applies to all subsequent creditable service you perform. You must remain a member until you terminate all public school employment and elect to receive a refund of your contributions to the program.

Changing Employment to a Different Public Retirement System

Occasionally, teachers or others who perform CalSTRS creditable service change employment to positions that are subject to coverage by another California public retirement system. For example, a classroom teacher may take a position as a human resources specialist in the district office, a position usually subject to California Public Employees' Retirement System coverage. Or a human resources specialist may decide to take a teaching position, a position usually subject to CalSTRS coverage. When a CalSTRS or CalPERS member changes employment to a position in the public schools that is subject to coverage by the other system, he or she will have an opportunity to continue coverage or change to the other system. Members of either system are urged to contact the Social Security Administration at 800-772-1213 to determine if the change will affect any Social Security benefit due the member.

Election to Continue Coverage Under the CalSTRS DB Program

Change in School Employment to a Position Subject to Coverage by the California Public Employees' Retirement System

If you are a member of the CalSTRS DB Program and become employed by the same or a different school district, community college district or county superintendent of schools to perform service that requires membership in the California Public Employees' Retirement System, you may elect, within 60 days of the date of your new employment, to continue coverage under the CalSTRS DB Program. If you do so, service in your new position and any subsequent position for a school district, community college district or county superintendent of schools that would normally be subject to coverage by CalPERS would be treated as creditable service under the CalSTRS DB Program.

You should remember that the election:

- must be made within 60 days of the date of hire into the new position
- must be done on the appropriate form provided by the employer
- is effective as of the date of hire into the new position
- is irrevocable and applies to all subsequent service
- remains in effect until you terminate all CalSTRS creditable service and all service that would normally be covered by CalPERS **and** elect to receive a refund of your contributions to CalSTRS.

Election to Continue Coverage under the California Public Employees' Retirement System

CalPERS Member in a Classified Position Changes to a Position Subject to Coverage by CalSTRS

A member of CalPERS who becomes employed by the same or a different school district, community college district or county superintendent of schools to perform CalSTRS creditable service can elect, within 60 days of his or her new hire date, to continue coverage under CalPERS for all subsequent CalSTRS creditable service.

The election:

- must be made within 60 days of the date of hire into the new position

- must be done on the appropriate form provided by the employer
- is effective as of the date of hire into the new position
- is irrevocable and applies to all subsequent service that would normally be covered by the CalSTRS DB Program
- remains in effect until you terminate all CalSTRS creditable service and all public school service that would normally be covered by CalSTRS **and** elect to receive a refund of your contributions to CalPERS.

Information on Both Systems

Before making your decision, you can review the benefit information in this handbook, as well as the benefit information booklet provided by CalPERS. Both are available from your employer.

In addition, the CalSTRS booklet *Join CalSTRS? Join CalPERS?*, PAO 151, outlines and contrasts the basic benefits of the two systems. For a copy, ask your employer or order it from the CalSTRS Teletalk system's Forms Ordering option or view it online at www.calstrs.ca.gov/publish/publish.html.

For further assistance with questions about the CalSTRS DB program, you can speak with a regional counselor (see page 67).

Member Contributions

As a member of the CalSTRS DB Program, you must contribute 8 percent of your salary to CalSTRS. Contributions are due only on the member's "creditable compensation" as defined in the Teachers' Retirement Law.

Contributions are withheld from creditable compensation by payroll deduction and deposited into your account in the CalSTRS DB Program. Your contributions accrue interest at a rate determined annually by the Teachers' Retirement Board.



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“Employer Pick-Up” of Member Contributions

Most members’ employers participate in the “Employer Pick-Up” Program, under the provision of the Internal Revenue Code (Section 414[h][2]). The member’s contributions to CalSTRS are “picked-up” by the employer for the sole purpose of deferring income taxes on that portion of compensation. The contributions must be deducted from your compensation and are considered creditable compensation for retirement purposes.

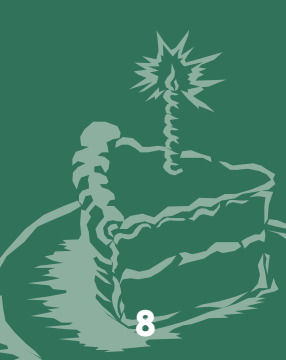
These tax-deferred member contributions are deposited to your account as “Employer-Paid Member Contributions.” Those contributions are taxable when returned to you or a beneficiary in a lump sum or monthly allowance. For more information on taxes, see Section VIII, Tax Information and Legal Issues.



Credited Interest

At the end of each fiscal year, interest is credited to the accumulated contributions and interest in each member’s account at the “credited interest rate.” The credited interest rate is adopted annually by the Teachers’ Retirement Board and is currently set at a rate that approximates the yield on two-year Treasury notes.

Interest is credited to members’ accounts primarily to provide a lump-sum benefit to those members who terminate all creditable service and withdraw their contributions or to the beneficiaries of members who die without survivors who are eligible for monthly benefits.



As a Defined Benefit Program member, you should understand that your retirement benefit will be calculated using a benefit formula established by law based on your age, years of service credit and final compensation. The amount of total contributions and interest in your account is not used to calculate either your or your beneficiary’s future monthly allowance.

Employer Contributions

The employing school district, community college district or county superintendent of schools contributes an amount equal to 8.25 percent of the creditable compensation paid to every employee who is a member of the CalSTRS DB Program. Employer contributions are not credited to individual member accounts but are deposited in the Teachers’ Retirement Fund to help fund the benefits payable to all members and their beneficiaries.

State Contributions

The state of California contributes an amount equal to 3.102 percent of prior calendar year member salary to pay the continuing cost of benefits to teachers. In addition, the state contributes an amount equal to 2.5 percent of the total creditable compensation paid to all CalSTRS DB Program members during the preceding calendar year for the Supplemental Benefit Maintenance Account. This is used to maintain the purchasing power of benefits at prescribed levels. The state’s contributions are deposited in the Teachers’ Retirement Fund in four equal payments each year, except for the SBMA contribution, which is made July 1.

Service Credit

Service credit is the accumulated period of time, in years and partial years, during which you receive creditable compensation for service as a member of the CalSTRS DB Program. In addition to credit for actual service, you may receive service credit for creditable compensation received for certain employer-approved leaves of absence.

Service credit also may be purchased under certain circumstances. See page 16, Purchase of Additional Service Credit.

A member’s service credit is one of the factors used to determine eligibility for benefits payable under the CalSTRS DB Program. For

example, you must have a minimum of five years of service credit to be eligible for a service retirement allowance.

(See *Member* in Section XI, Glossary.)



Service credit is used to calculate your service retirement allowance, as well as the surviving spouse allowance payable under both Coverage A and Coverage B (see Section VII, Survivor Benefits).

You are notified of your accumulated service credit each year when you receive your Annual Statement of Account. (See below.)

How Service Credit is Calculated

Service credit is calculated in the proportion that a member's earnings (creditable compensation) bears to the compensation that the member *would have earned* if he or she had been employed and worked full-time in that position.*

Example

Janet was employed to work 50 percent of full time in a teaching position during the 1999–00 school year. The full-time compensation *earnable* for the position was \$42,000. Janet worked every day of her 50 percent teaching contract and received \$21,000 during the school year.

**Creditable Compensation divided by
Compensation Earnable equals Service Credit**

creditable compensation	\$21,000
÷ compensation earnable	\$42,000
= service credit	0.500

**Janet would receive 0.5, or one-half year,
of service credit**

You cannot receive more than one (1.000) year of service credit for any one school year.

Whether you are employed on a full-time or part-time basis, your compensation for service in excess of that required to receive 1.000 year of service credit in a school year (overtime) *is not* creditable compensation for retirement purposes.

For example, summer school service is always considered to be overtime service.

Compensation for overtime service cannot be used for accumulation of service credit or the determination of your final compensation for the purpose of calculating a monthly allowance.

Because compensation for overtime service is not creditable compensation for retirement purposes, you are not required to make CalSTRS contributions on salary received for service in excess of that required to receive 1.000 year of service credit in a school year. However, if you are employed in multiple part-time or substitute positions for more than one CalSTRS employer during a school year, it is often not possible to determine which service and compensation are not subject to contributions until after all your service has been reported to CalSTRS for the school year. If an adjustment to your account is necessary, it will be made after all service has been reported for the school year.

Purchase of Additional Service Credit

You may be eligible to purchase service credit for past employment or an approved leave of absence for which CalSTRS retirement contributions were not made. For example, you may be able to purchase service credit for part-time or substitute service in the California public school system before you became a CalSTRS DB Program member. For more information, see page 16, Purchase of Additional Service Credit.

Reduced Workload Program

The CalSTRS Reduced Workload Program was established to allow eligible members of the CalSTRS DB Program to reduce their workload from full time to part time and still receive a full year of service credit, provided all requirements of the program have been fulfilled by the participating member and employer. See page 20, Reduced Workload Program, for participation requirements.

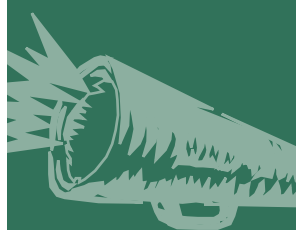
Annual Statement of Account

Every year you receive an annual statement of account, which is one of your most important CalSTRS records. It provides you with



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*Calculation method since July 1, 1972




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information about your retirement account. An annual statement of account is distributed in the fall to each member who was employed to perform creditable service and is not a retired member or a benefit recipient. For example, your statement received in fall 1999, is for the period July 1, 1998, through June 30, 1999.

The statement is mailed to your home address as reported to CalSTRS by your employer. If an employer has not provided CalSTRS with a current home address, your annual statement of account will be forwarded to the appropriate county or district superintendent's office for distribution.



An inactive member (one who has a balance remaining in his or her CalSTRS DB Program account and was not employed during the prior school year) will receive an annual statement of account if he or she has a current address on file at CalSTRS. An inactive member who has left his or her contributions on deposit and who has not received an annual statement of account, should call CalSTRS Teletalk at 800-228-5453 to request a statement. (Retired members and benefit recipients do not receive a statement of account.)



Examine your statement carefully each year for accuracy and file it with your important employment or financial records. The following information is included on your statement:

- beginning balances of your service credit and contributions and interest credited on member contributions at the beginning of the period (July 1 of the previous school year)
- ending balances of your service credit and contributions and interest earned on member contributions as of June 30 of the last school year

Information about the past school year, July 1 through June 30, includes:

- interest credited on your accumulated contributions
- service credit you earned

- contributions credited to your CalSTRS account

The service credit shown on your annual statement of account is based on the creditable compensation and annual compensation earnable reported by your employer(s) to CalSTRS. (See *Creditable Compensation*, Section XI, Glossary.) The member contributions are the contributions that were reported by your employer(s).

If you believe there is a discrepancy on your annual statement regarding contributions or service credit, contact your employer.

Service credit and contributions after June 30 will be included in your next annual statement of account. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the school year during which the final payment was made.

In addition to service credit, contributions, and interest, the annual statement of account provides other key information:



• Coverage

Do you have Coverage A or Coverage B for disability and survivor benefits?

If you became a member October 16, 1992, or later, you are covered under Coverage B. If you became a member before October 16, 1992, you are covered under either Coverage A or B, depending on the choice you made during the election period in 1992-93.

• Beneficiary Designation Information

If you have filed a beneficiary designation since 1986 for payment of the lump-sum death payment, the statement will identify the designated beneficiaries.

• Benefit Estimate

If you are age 50 or older and have earned at least one full year of service credit, the statement will include an estimate of your future service retirement allowance for retirement at age 55 and at age 60.

If you need to call CalSTRS, it will be helpful to have your annual statement of account available. Your Social Security number is your CalSTRS identification number.



Communication with Employers and Employee Organizations

CalSTRS maintains several channels of communication with employer and employee organizations. The Employer Advisory Committee is composed of county and district employer representatives and CalSTRS staff. The Client Advisory Committee includes members of various organizations representing CalSTRS members, employers and benefit recipients.

These committees meet regularly to provide a forum for active participation in the formation of CalSTRS policies and procedures in areas of information dissemination, benefit plan administration and service to members and beneficiaries.

Reaching consensus with the two committees on legislative proposals, as well as policy issues, is important to the Teachers' Retirement Board. Therefore, staff also schedules special meetings and works closely with both committees on plan design and other crucial member and employer issues.

Annually, CalSTRS staff conducts two Employer Institutes, one presented in southern California and another in northern California. CalSTRS processes, laws and policies are discussed with employer staff, giving an opportunity for CalSTRS and employers to exchange information.

CalSTRS staff also conducts field visits to individual counties and school districts. The purpose of the visit is to provide specific information to the employer regarding the CalSTRS' reporting process. In addition to the reporting procedures, staff discusses the use of the Remote Employer Access Program that allows the employer direct access to the CalSTRS database for verification and review of members' service and contribution records, thereby improving the accuracy and timeliness of the reporting process.

Periodically, *CalSTRS Employer Information Circulars* are sent to employers to post where members may read them.

CalSTRS distributes *Employer Directives* to employers as needed to explain new policies or procedures.

CalSTRS also provides information to the newsletter editors of CalSTRS member and retired member organizations.

Member Newsletters

The *Bulletin* is published twice a year and mailed to all active members and Cash Balance Benefit Program participants. The *Retired Educator* is published twice a year and mailed to all retired members and benefit recipients.



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II. Early Career Years

You will be **vested** with a right to a lifetime retirement allowance when you have accumulated five years of creditable service in the CalSTRS Defined Benefit Program. This allowance will be available to you as early as age 55*. Active members also have important benefits including disability and survivor benefits. See Sections VI and VII.

If You Terminate Your CalSTRS-Covered Employment

Active members contributing to CalSTRS are eligible for important benefit coverage, including disability and survivor benefits.

Termination of CalSTRS-covered employment and a subsequent refund of your accumulated contributions plus interest cancels any eligibility for monthly benefits from CalSTRS. Termination of CalSTRS-covered employment for four months or more eliminates any eligibility for survivor or disability benefits. This time limit does not apply to service retirement.

Exceptions to the Four-Month Limit

The four-month limit does not apply if you die during an approved leave of absence of up to 12 months for a reason other than disability or military service. If medical reports show you became incapacitated within four months of your last day of service (and remained continuously incapacitated to the date of death) or if you were receiving a disability allowance under Coverage A, your beneficiary(ies) remains eligible for the lump-sum death payment and survivor benefits.

Refund of Your Account

Your CalSTRS member contributions to the Defined Benefit Program, plus interest, are refundable upon termination from all employment to perform creditable service in any California public school. However, refund of your contributions terminates your CalSTRS membership and you will not be eligible for any benefits, including a lifetime monthly retirement benefit, from CalSTRS.

Refund Amount

All contributions made by a member, plus credited interest, will be refunded upon written request. This includes tax-deferred member contributions under the “Employer Pick-Up” program. Partial refunds are not permitted. Employer and state contributions are not refundable.

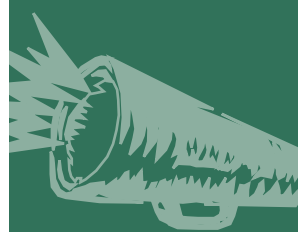
Is a Refund Right for Me?

Members with fewer than five years of service credit who do not plan to return to teaching and who are not eligible for retirement with any of the California public systems listed on page 21 may want to consider a refund. However, career teachers with substantial service credit or those who are eligible for retirement with another California public



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*Or age 50, with at least 30 years of service credit



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system and are approaching age 55 are urged to talk with a CalSTRS regional counselor to learn more about issues that should be considered.

Consequences of a Refund

If you withdraw your contributions and interest before age 59 1/2, you may be subject to income tax and a 10 percent federal excise tax. (See Section VIII, Tax Information and Legal Issues)

If you take a refund and later redeposit contributions and interest and return to membership:

- your membership date changes to your return date
- you will be covered under Coverage B for survivor and disability benefits
- you must accumulate a year of service credit before you are eligible for CalSTRS benefits

More Refund Information

You may learn more about refunds through CalSTRS Teletalk messages.

Call 800-228-5453 and select the Teletalk option, then select message #700 for refund information. Message #201 tells how to make an appointment for a regional counseling interview.



If You Have Less than One Year of Service Credit

If you have less than one year of service credit, the only benefit payable to a surviving beneficiary if you die is a refund of your accumulated retirement contributions plus interest.



III. Career Issues

A As you move through your education career in California, you may wish to take advantage of some of the optional programs and services CalSTRS offers.

If you wish to know more about CalSTRS programs and benefits, you can make an appointment with a CalSTRS regional counselor or visit the CalSTRS Web site at www.calstrs.ca.gov.

Financial Education Program

The Financial Education Program workshops are designed especially for CalSTRS members. The educational workshops prepare members 10 or more years from retirement to make informed financial decisions with confidence.

Workshop speakers present information on CalSTRS pension benefits, on Social Security provisions that apply to CalSTRS members and on how to develop personal financial plans to meet individual goals.



To obtain information about the Financial Education Program or to sign up for a workshop, call the special Financial Education Program toll-free number at 888-394-2060. Workshop registration is also available online at www.calstrs.ca.gov. Select the Benefits and Program section and go to Defined Benefit Program.



Redeposits

If you return to teaching or other CalSTRS-covered employment or become eligible for retirement with another public system in California you may elect to redeposit past refunds plus regular interest with the CalSTRS Defined Benefit Program. (See page 21 for a list of other California public systems.) Redepositing allows you to reinstate the service credit represented by the refunded contributions. (If you are not retiring concurrently with another California public system, before you are eligible for benefits from CalSTRS you must have earned at least one year of service credit after you received the most recent refund of accumulated retirement contributions.)

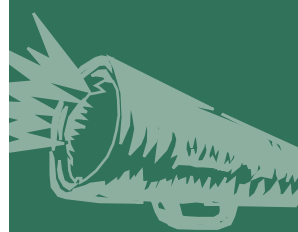
If you elect to redeposit, all previously refunded contributions must be repaid along with an amount equal to the investment income that would have been earned in the CalSTRS DB Program. CalSTRS calculates the investment income component by applying the regular interest rate (an interest rate that represents specified CalSTRS investment earnings each year) from the time of the refund to the time of the repayment. The longer the elapsed time between refund and redeposit, the higher the redeposit amount will be.

Redepositing does not re-establish your earlier membership date or benefits that may have been available to you before you refunded. For example, the unused sick leave accumulated prior to your refund may not be



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included in the calculation of service credit when you apply for a service retirement, depending on your contract with your employer.

The amount you need to redeposit and the benefits from reinstatement of service credit will vary, depending upon your individual situation.

For example, a teacher who withdrew \$10,000 (representing three years of service) in May 1993 and wanted to reinstate those years of credit in May 2000, would be required to redeposit \$16,171.

Amount withdrawn	\$10,000
Regular interest	\$6,171
Total	\$16,171

If you are considering a redeposit, call CalSTRS Teletalk and request the *Purchasing Service Credit* brochure.

Purchase of Additional Service Credit

You may elect to purchase service credit for retirement purposes for specific service performed in the past, if it has not been previously credited. This type of service includes, but is not limited to:

- creditable service prior to becoming a member
- sabbatical leave
- certain active military leave
- University of California or State University service
- maternity/paternity leave or family care and medical leave
- School for the Blind or Deaf
- out-of-state public school teaching

Service credit cannot be purchased if you have received, or are eligible to receive, credit for the service in another public retirement system. If you are planning to purchase additional service credit just before retirement, you must complete payment before the effective date of your retirement.

The cost of additional service credit is calculated by multiplying your highest earnable salary in any one of the most recent three school years of service by the contribution rate for additional service credit and the number of years of service credit to be purchased. The contribution rate for additional service credit is adopted by the Teachers' Retirement Board and is based on the most recent actuarial valuation of the CalSTRS DB Program.

Out-of-State Service Credit

Members may purchase up to 10 years of service credit earned in another state. The cost for this service credit is calculated in the same manner as described above. The service credit must be from a public retirement system for service covering public education. Purchased service credit cannot be used in the other state to receive benefits from that retirement system.

Nonqualified Service Credit

Members with at least five years of credited CalSTRS service may purchase up to five years of service credit for nonqualified service, also known as "air time." Nonqualified service is service that is not connected to any specific prior employment. Nonqualified service credit cannot be used to qualify for the career bonus.

The purchase of nonqualified service credit is calculated differently from the credit purchase of other service. To figure the approximate cost of a nonqualified service credit purchase, use the online CalSTRS Nonqualified Service Credit Purchase Estimator. The estimator can be accessed at www.calstrs.ca.gov in Quick Link on the home page.

The cost to purchase nonqualified service credit will increase the closer the member is to retirement and the higher the earnable salary. Members should evaluate the benefits of purchasing additional service credit by comparing its cost with the increase it would provide in their lifetime retirement income.



For more information about additional service credit purchase or to request a billing statement, call CalSTRS Teletalk at 800-228-

5453. Select message #250 for purchasing credit for service done in California, message #254 for out-of-state service credit purchase and message #255 for nonqualified service credit purchase. Or use Teletalk to order the *Purchasing Service Credit* brochure.

Borrowing Against Your CalSTRS Account Balance

State law does not permit you to borrow against your accumulated contributions and interest on account with CalSTRS.

CalSTRS Voluntary Investment Program

The CalSTRS Voluntary Investment Program (formerly known as the CalSTRS 403(b) Program) is a tax-deferred supplemental savings program that complements the CalSTRS Defined Benefit and Cash Balance Benefit programs. Persons eligible for CalSTRS VIP include active and retired DB Program members, CB Benefit Program participants and classified school employees in districts participating in the program. You can call your payroll department to learn if the CalSTRS VIP is available in your district.

The CalSTRS Voluntary Investment Program is designed as a low-cost, simple-to-use investment program, sponsored and overseen by the Teachers' Retirement Board. It features a comprehensive array of services, competitively priced, with expanded investment options selected by CalSTRS. The program administrator, State Street Bank and Trust Company, has demonstrated outstanding industry leadership as one of the largest full-service plan administrators for employee retirement savings plans in the nation.

Investment Options

CalSTRS VIP participants select from a menu of high-quality investment options. Each fund offers a distinct profile of risk and return characteristics to provide you with choice

and control. Additional options may be added at a later date. Investment options currently offered are:

- **Provident Institutional Fund's TempCash Prime Money Market Mutual Fund**

A prime money market portfolio investing in high-quality government and corporate securities and focusing on safety of principal, liquidity and competitive rates of return.

- **S&P 500 Index Fund**

A diversified mutual fund designed by the California Investment Trust Fund Group to provide investment results corresponding to the total return of common stocks publicly traded in the United States, as represented by the Standard & Poors 500 Stock Index.

- **EAFE Equity Index Fund**

A diversified mutual fund that seeks to replicate the total return of the Morgan Stanley Capital International Europe Australia Far East Index, which contains approximately 1,100 equity securities of companies located outside the United States.

- **Self-Managed Account**

Participants are able to expand their investment choices by directing their CalSTRS VIP assets into additional mutual funds of their choice. Participants can invest in nearly 3,000 mutual funds.

Program Service

State Street Bank and Trust Company of Boston provides customer support seven days a week with 24-hour-a-day automated access by touch-tone telephone for information and a full range of transactions. Daily accounting provides current information to help you make informed decisions, with customer service representatives available to answer your questions.

CalSTRS VIP Fees

The Teachers' Retirement Board directed the program provide for low-cost fees. Fees for VIP are about one-half the amount typically charged by other 403(b) providers. Schedules are published in materials available to members who call toll-free 800-699-4032, or who visit the CalSTRS Web site's Benefits and Programs section.



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CalSTRS members can participate in CalSTRS VIP in two ways:

- payroll deductions from CalSTRS-covered employment
- transfer or roll over from an existing balance in another 403(b)/TSA

CalSTRS members who are no longer employed in CalSTRS-covered employment can still roll over an existing balance from another plan into CalSTRS VIP, but they cannot contribute additional funds until they resume CalSTRS-covered employment. CalSTRS retired members are also eligible to participate in the program by transferring funds from their current 403(b)/TSA balance to CalSTRS VIP.

For more information or to learn more about the CalSTRS VIP and to find out how to enroll, call 800-699-4032. Representatives are available Monday–Friday, 9:00 a.m. to 5:00 p.m. Or visit the CalSTRS Web site, Benefits and Programs section.



CalSTRS Home Loan Program

The CalSTRS Home Loan Program is open to active, inactive and retired CalSTRS members and Cash Balance Benefit Program participants. They can apply for conventional, fixed-rate, first mortgage loans for the purchase or refinance of their one-to four-family owner-occupied properties in California. The program provides loans to members while serving as a prudent investment of CalSTRS retirement funds.

The Home Loan Program features include:

- a large number of lenders statewide
- two free loan rate float downs if interest rates fall
- controlled origination fees charged by the lenders
- no points/no fees options
- “Zero Down Preferred” option

For more information on the Home Loan Program, check the Benefits and Programs link on the CalSTRS Web page at www.calstrs.ca.gov or call the Public Service Office at the number listed on the inside cover.

Long-Term Care Coverage

The California Public Employees’ Retirement System offers a long-term care program to members of other public retirement systems, including CalSTRS. Those eligible to participate include CalSTRS active and retired members and Cash Balance Benefit Program participants, as well as their spouses, parents and parents-in-law. This program provides personal care that some may need as a result of suffering an accident, a chronic illness or a disabling disease like Alzheimer’s. The LTC program provides high-quality care and comprehensive coverage at a reasonable cost.



Call CalPERS Long-Term Care direct at 800-338-2244 for information and an enrollment kit. Long-Term Care information can also be obtained from the CalPERS LTC Internet home page.

The World Wide Web address is www.calpers.ca.gov.

Regional Counseling Services

CalSTRS-trained regional counselors are available in many county offices of education throughout the state. Regional counselors hold workshops and conduct individual pre-retirement counseling at a variety of locations. See Section X, General Information, for information on the Counseling Center near you.

There are specific times during your career when CalSTRS recommends a personal interview:



- **at least once before age 55, or earlier if you have 30 years of service credit**
 - **prior to making a decision to submit a disability application**
 - **prior to making a decision on the pre-retirement election of an option**
 - **prior to filing a retirement application**
- A regional counselor will outline the options available and provide an estimate of your retirement allowance.
- **prior to making a decision to reinstate to CalSTRS membership after retirement**

Reinstatement to membership after retirement and a subsequent second retirement may result in a different monthly allowance than the initial retirement allowance.

IV. What to Consider Before Retirement

A schedule of workshops is prepared and distributed in the fall. Schedules should be available at your school site, district office or county office of education.

A As you near retirement age, it is a good time to review your current financial status and plan for your final career years and approaching retirement. If you are about age 50, or if you are within a few years of your projected retirement date, you may want to consider the following:

Retirement Counseling

How can I obtain information and retirement counseling?

Workshops

CalSTRS invites local school districts to host retirement workshops conducted by a regional counselor. You may attend a workshop at any point in your career. However, it is particularly important for you to attend a workshop within five years of retirement. CalSTRS also encourages you to attend a workshop early in your career as part of your financial planning process. Each workshop lasts approximately two hours.



Personal Interview

Before you file a retirement application, schedule a retirement interview with a CalSTRS-trained regional counselor. During this interview the retirement counselor will outline the alternatives available to you and provide you with an estimate of your retirement allowance.

The counselor can also provide information about when you will receive your retirement allowance and answer other questions you may have.

When should I schedule a pre-retirement interview?

Pre-retirement interviews should be scheduled at least six to 12 months in advance of your planned retirement date.

What information should I bring to the interview?

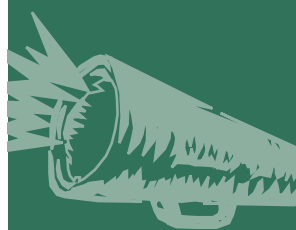
- the anticipated date of your retirement
- an estimate of your unused sick leave
- the number of days you are required to work during the year
- an estimate of your last three years of earnable compensation
- most recent statement of account

You are encouraged to bring your intended or named option beneficiary(ies) to this interview. If your option beneficiary(ies) is unable to attend the interview, please be prepared to supply the person(s) birthday(s). All information shared with the retirement counselor during this interview is confidential and used only for preparing your personal retirement estimate.



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More Information About Regional Counseling Locations and Schedules

See Section X, General Information, Regional Counseling Centers or the CalSTRS Web site at www.calstrs.ca.gov for the location of the nearest regional counselor.



What About Social Security?

Two provisions in Social Security law may reduce your Social Security benefits if you are eligible for both a monthly Social Security benefit and a CalSTRS allowance.

The first, the Windfall Elimination Provision reduces Social Security benefits through an alternative calculation for individuals who qualify for both a Social Security benefit based on their own covered employment (full Social Security taxes paid) and a pension based on noncovered employment (full Social Security taxes not paid), such as CalSTRS.

The second provision, the Government Pension Offset reduces Social Security benefits for spouses or surviving spouses if they are receiving a pension based on noncovered employment. Your CalSTRS retirement allowance will not be reduced if you are receiving a monthly benefit from Social Security.

You may wish to contact Social Security to determine if employment other than your California teaching has resulted in eligibility for a monthly Social Security benefit. Many California educators are currently paying Medicare taxes and may be eligible for Medicare coverage even if they are not eligible for a monthly Social Security benefit.

Social Security laws contain many provisions and exceptions. Contact the Social Security Administration at 800-772-1213 for more information.

Golden Handshake

The Golden Handshake Program became available March 15, 1994, and is in effect for eligible CalSTRS members who retire during

a period established in a formal action taken by the member's employer before January 1, 1999. You may receive two additional years of service credit upon retirement under this program.

To qualify for the program, you must meet the eligibility requirements for service retirement and file a service retirement application with CalSTRS no later than the last day of the month in which you wish your retirement to be effective. See Section V, Service Retirement. Your retirement effective date must be within the Golden Handshake window period established by your employer.

Employer approval is required before this additional service credit can be included in your benefit calculation and the employer must pay all costs associated with the additional service credit.

Reduced Workload Program

The CalSTRS Reduced Workload Program allows eligible members to reduce their workload from full-time to part-time duties (a minimum of 50 percent of full time) for up to ten years, normally the last ten years before retirement. The opportunity to participate is dependent on your employer offering the program.

You will receive full-time service credit, while working less than full time. At the time of retirement, your allowance will be calculated as though you continued to work full time.

You must be age 55 or older, have been employed full time for a minimum of 10 years performing creditable service and have been employed full-time performing creditable service five consecutive years immediately prior to entering the program.

Both member and employer contributions are paid on the full-time earnable salary, rather than the actual part-time salary earned while participating in the program. Therefore, the employer will be required to pay a higher contribution rate for a member to participate.

The consequences of failing to work at least 50 percent as required by the program can be significant. This occurs if the member does not earn creditable compensation for at least 50 percent of full time in any one school year. Service credit for the year will be calculated on actual time worked.

For example, a member who was employed 50 percent of full time had her pay docked because she became ill and ran out of sick leave. Consequently she failed to perform creditable service for at least 50 percent of full time that year. Therefore, for that year she would not be eligible to participate in the Reduced Work Program. She would earn service credit for only the time worked.

Retiring before the end of the school year can also impact program participants in the Reduced Workload Program. After discussing the Reduced Workload Program with your employer and reviewing personal qualifications, you must enter into a contractual agreement with your employer to participate.

Concurrent Retirement

CalSTRS DB Program members at least age 55 who are also eligible to retire from certain other California public retirement systems in California may retire with less than five years of CalSTRS credited service if the member retires from both systems at the same time. Additionally, CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement allowance. The other public retirement systems in California are the Legislator's Retirement System, Public Employees' Retirement System, San Francisco City and County Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937 (refer to Section XI, Glossary of Terms, for a list of the counties covered by the act).

Pre-Retirement Election of an Option

Electing an Option Before Retirement

If you are eligible to retire, you may make a pre-retirement election of an option. This election is available if you do not yet wish to retire but want to ensure a monthly lifetime income to another person, or persons, if you die before retirement. (See Section V, Service Retirement, for a discussion of options.)

The monthly allowance paid to your beneficiary(ies) is based on the modified benefit that would have been paid if you had retired as of the date of death. At retirement, your allowance will be modified under the elected option.

When you retire, modification of your allowance will be made using the higher of the option factors in effect as of the date you elected the option or in effect on your retirement date.

The example illustrates two members, one who chooses an option before retirement and another who waits until retirement to choose an option.

Example

Member Chooses Pre-Retirement Election of an Option

- Member retires at age 60
- Option 2 beneficiary is also age 60
- Both member and option beneficiary were age 55 when pre-retirement option was chosen

Unmodified Allowance \$1,963.89
x Percentage Payable x .892
 (Option Table 2)
= Member's Modified Allowance \$1,751.79

Member Chooses an Option at Retirement

- Member retires at age 60
- Option 2 beneficiary is also age 60

Unmodified Allowance \$1,963.89
x Percentage Payable x .866
 (Option Table 2)
= Member's Modified Allowance \$1,700.73



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The member in the first example has provided a lifetime monthly allowance to a beneficiary—even if the member should die before retirement. Although the allowance will be reduced at retirement, the modified allowance will be slightly higher than it would have been if the member had waited until retirement to choose an option, since the pre-retirement election of an option allows use of the younger member and beneficiary ages.

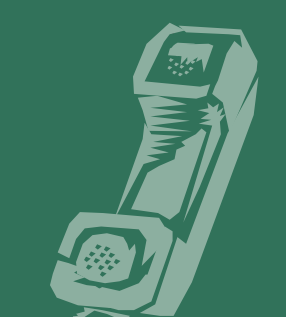
The advantages and disadvantages of choosing a pre-retirement election of an option must be assessed on an individual basis.

Advantages



If you should die prior to retirement, your option beneficiary(ies) will receive a lifetime monthly allowance. The allowance begins immediately upon your death, regardless of the age of the beneficiary(ies).

In most cases, the modified allowance will be greater if a pre-retirement election of an option is made than if an option is elected at the time of retirement.




If you become disabled after making a pre-retirement election of an option and you have Disability Allowance, Coverage A, you may retain the option election in order to provide a monthly allowance to your option beneficiary.

Disadvantages

If you cancel or change your pre-retirement election of an option before retiring, your retirement allowance will be reduced for life.

Under Disability Retirement, Coverage B, the pre-retirement election of an option will be automatically voided as of the effective date of an approved disability retirement, however, you can then elect an option under disability retirement.



If your option beneficiary dies before you retire and you had elected an option, the election will be automatically canceled and your retirement allowance will be assessed.

Spousal Signature

If you are married, the form for pre-retirement election of an option must be signed by your spouse or the justification for non-signature of spouse form must be completed and returned with the pre-retirement election. If your spouse does not sign or the justification for non-signature is not received by CalSTRS, the pre-retirement election is not acceptable and will not be effective until the requirements are met.

The election will be effective on the date signed only if it is received by CalSTRS within 30 days from the date you sign it. If the option beneficiary dies *before* you retire, the option is automatically canceled. Your retirement allowance will be permanently reduced to pay for the coverage provided by the pre-retirement option.

Cancellation of an Existing Pre-Retirement Election of an Option

You may cancel an existing pre-retirement election of an option at any time before retirement. A pre-retirement election of an option is canceled automatically when a member elects a new option, elects a new option beneficiary(ies) or if the option beneficiary predeceases the member.

If the pre-retirement election of an option is canceled, an assessment is calculated at retirement. The assessment will reduce your monthly retirement allowance for life.

The factors in effect on the cancellation date of the pre-retirement election of an option will be used to calculate the assessment. The assessment factor is based on the following:

- the option selected
- the amount of time the pre-retirement election was in effect
- the age of the member at the time of election and cancellation
- whether the member has Coverage A or Coverage B
- whether the option beneficiary is the member's spouse

Note: As a result of legislation, the calculation of the assessment factor is different for those members who canceled their pre-retirement election of an option before January 1, 1996. Contact the CalSTRS Public Service Office for details.

If you are considering canceling your pre-retirement election of an option, electing a different option or naming a different option beneficiary(ies), CalSTRS recommends you meet with a CalSTRS regional counselor to discuss the possible effects of that change on your retirement allowance.

A spouse *must* sign the cancellation of a pre-retirement election of an option or a justification for non-signature must be completed and returned with the request for cancellation. If the spouse's signature is not provided or the justification for non-signature of spouse is not received by CalSTRS, the cancellation is not acceptable and will not be effective until the requirements are met.

For more information regarding pre-retirement election of an option, call CalSTRS Teletalk at 800-228-5453 and select message # 200, Regional Counseling Services or message #300, Pre-Retirement Election of an Option.

Birthday Verification

Under some circumstances, CalSTRS will request verification of the birthday of a member and/or an option beneficiary(ies). Acceptable documentation for birthday verification is listed in order of preference:

- certified birth record (recorded at least seven years prior to application for CalSTRS benefits)
- certified church baptismal record (recorded within six years of birth)
- transcript of listing in federal census (recorded within ten years of birth)

If the name has been changed from the name shown on the record of birth, a certified copy of the marriage certificate or court order documenting the change is required.

If you do not have any of these records, please contact CalSTRS for assistance.

Regional Counseling Appointment

Because the election or non-election of an option determines what benefits will be available to your beneficiary(ies), CalSTRS recommends you schedule an appointment with a regional counselor and encourages you to bring your intended beneficiary(ies) to this interview. See page 19 for more information.



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